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Microsoft Corp. v. AT&T Corp:
The Software Patent Landscape

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Case Summary

- This case clarifies a software developer's liability under 35 USC Section 271(f)
- Section 271(f) expands liability for patent infringement by including acts of supplying the components of a patented invention from the United States
  - One may be liable for patent infringement for supplying the components from the United States in an uncombined state so as to actively induce the combination of the components outside the United States in a manner that would infringe a patent if the combination occurred in the United States
  - One may also be liable for supplying any component that is especially made or adapted for use in the invention, in an uncombined state, with knowledge that the component is so made or so adapted and with the intent that the component be combined outside the United States in a manner that would infringe a patent if the combination occurred in the United States
- Supreme Court refused to extend liability under 35 USC 271(f) to software developers who export software on a master disk for copying and installation abroad

Case History

- AT&T owns a patent for an apparatus for digitally encoding and compressing recorded speech
- Microsoft ships a “master” copy of an operating system with software code that enables a computer to process speech as claimed by the AT&T patent
- Foreign computer manufacturers make copies from the master software copy and install the operating system
- AT&T sued Microsoft for patent infringement under 35 USC 271(f) for computers made and sold abroad

Case History

- AT&T's position: Microsoft's export of the master disk constituted a supply of a component from the United States
- Microsoft's position:
  - Software is not a component and merely intangible information
  - Software installed abroad was installed from copies and not directly from the "master" copy
- District Court and CAFC rule against Microsoft
- Supreme Court granted certiorari

Majority Opinion

- Software is abstract until expressed on a computer-readable copy
- Court compared software to a blueprint that may have precise instructions to construct and combine a component but by itself is not a component
- Only software installed on a computer qualifies as a component for Section 271(f) liability
- Installed copies were not supplied from the US because they were not installed from the master disk
- Easy of copying was considered irrelevant (relied upon by CAFC)

What happens to Software Patents

- Software provider may avoid liability by simply sending a master disk
- Do we need a “software exception” for 271(f) liability?
- Role of Congress
  - Congress took 12 years after Deepsouth Packaging to pass Section 271(f)
- Importance of foreign patent filings
- Impact on existing software patent licensees